

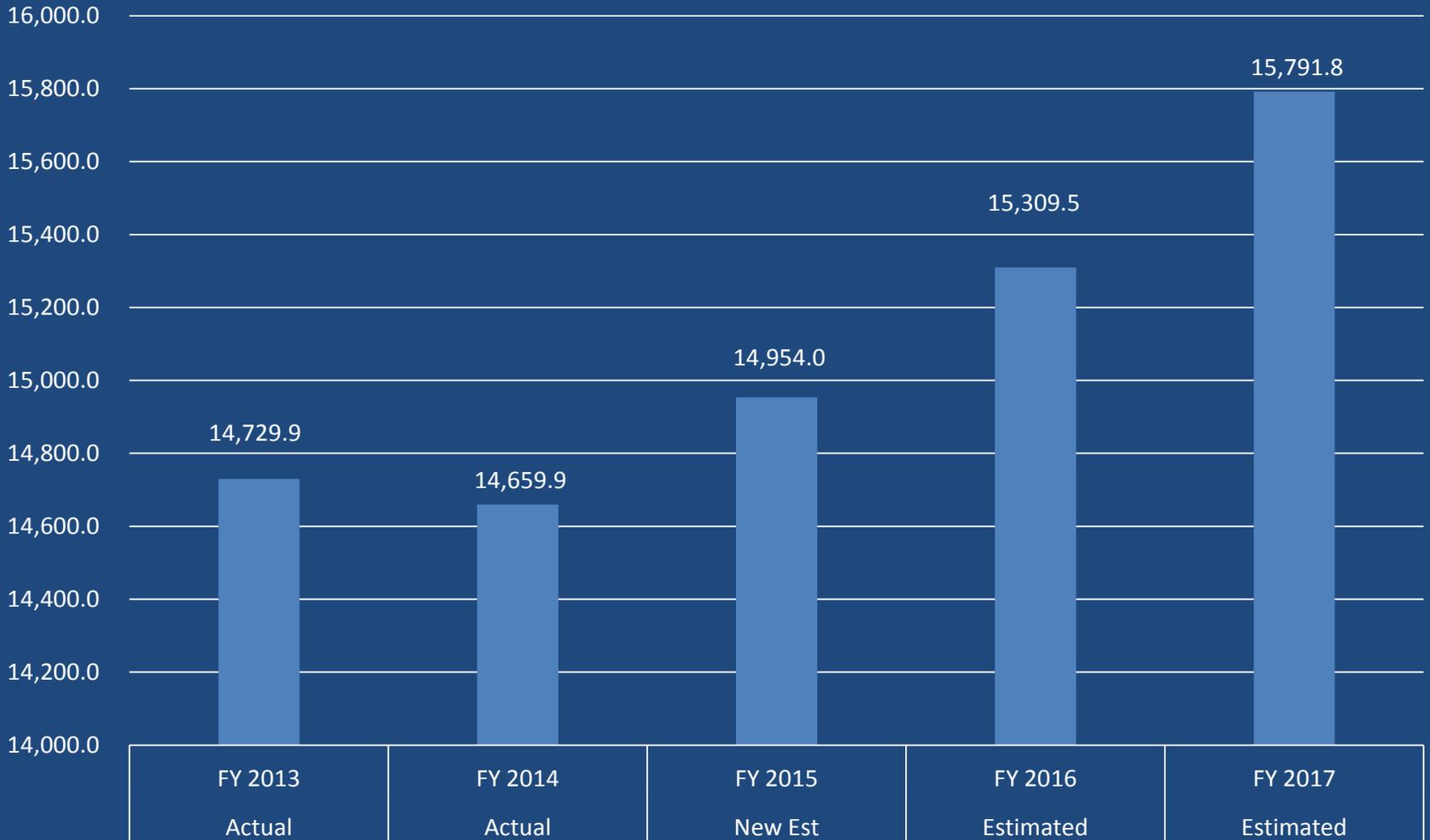
Pence Administration FY2016/2017 Budget: Key Policies

- Pass an honestly balanced budget
- Hold the line on spending
- Maintain adequate reserves
- Fund our priorities
- No new debt

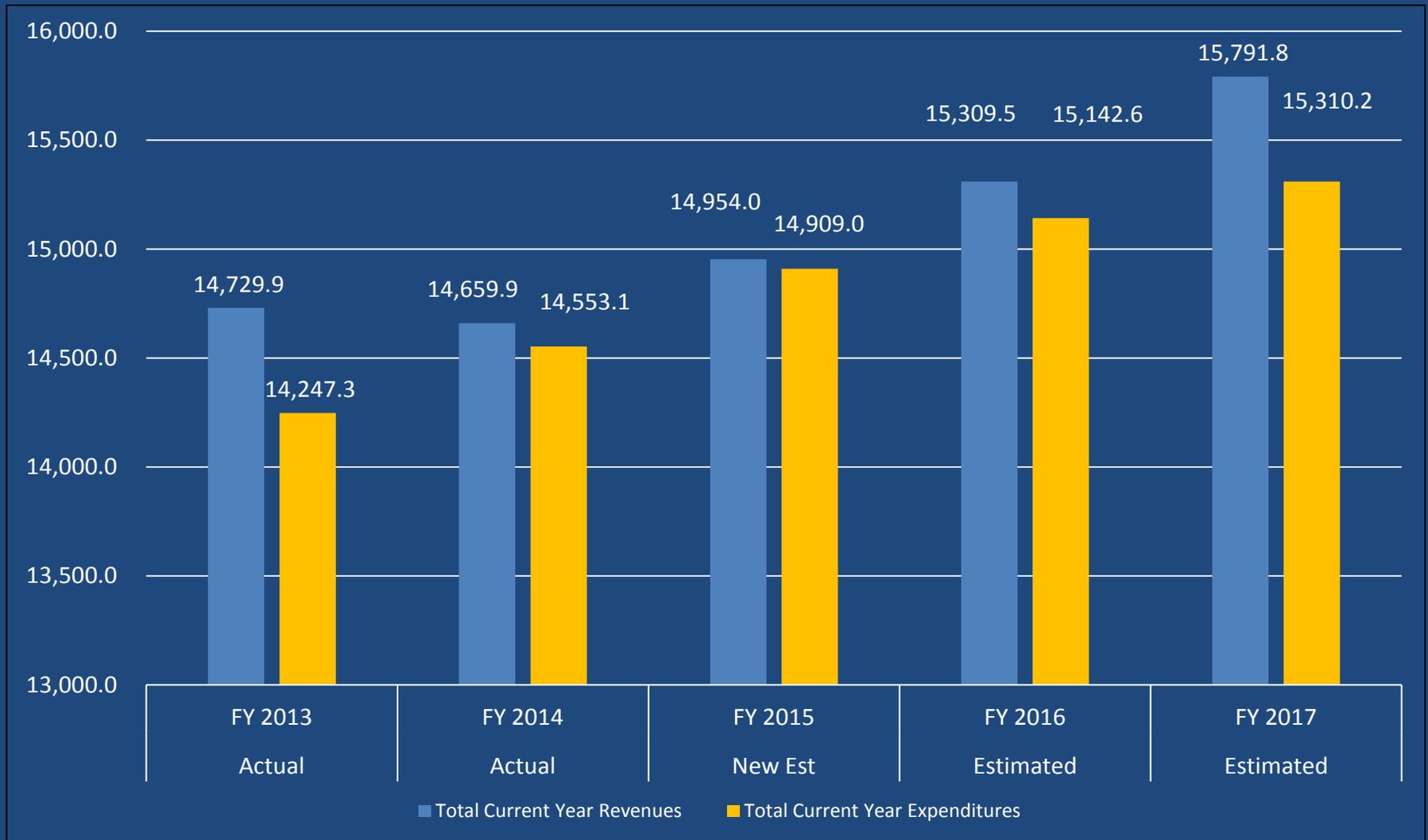
Pass an Honestly Balanced Budget

- Spending should not exceed available revenues
- Honestly balanced budget = “structural balance”
 - Unbalanced budgets lead to bankruptcy
 - No gimmicks or tricks
 - Critical factor in credit rating – do revenue sources support state’s regular spending needs?
 - Annual budget “cushion” in the FY 14/15 better positioned the State to weather revenue forecast misses
 - FY14 actual revenues were \$132.2M below April 2013 budget plan revenues
 - FY14 “cushion” was \$101.8M in the April 2013 budget plan
 - FY15 projected revenues are \$240.7M below April 2013 budget plan revenues
 - FY15 “cushion” was \$259.7M in the April 2013 budget plan

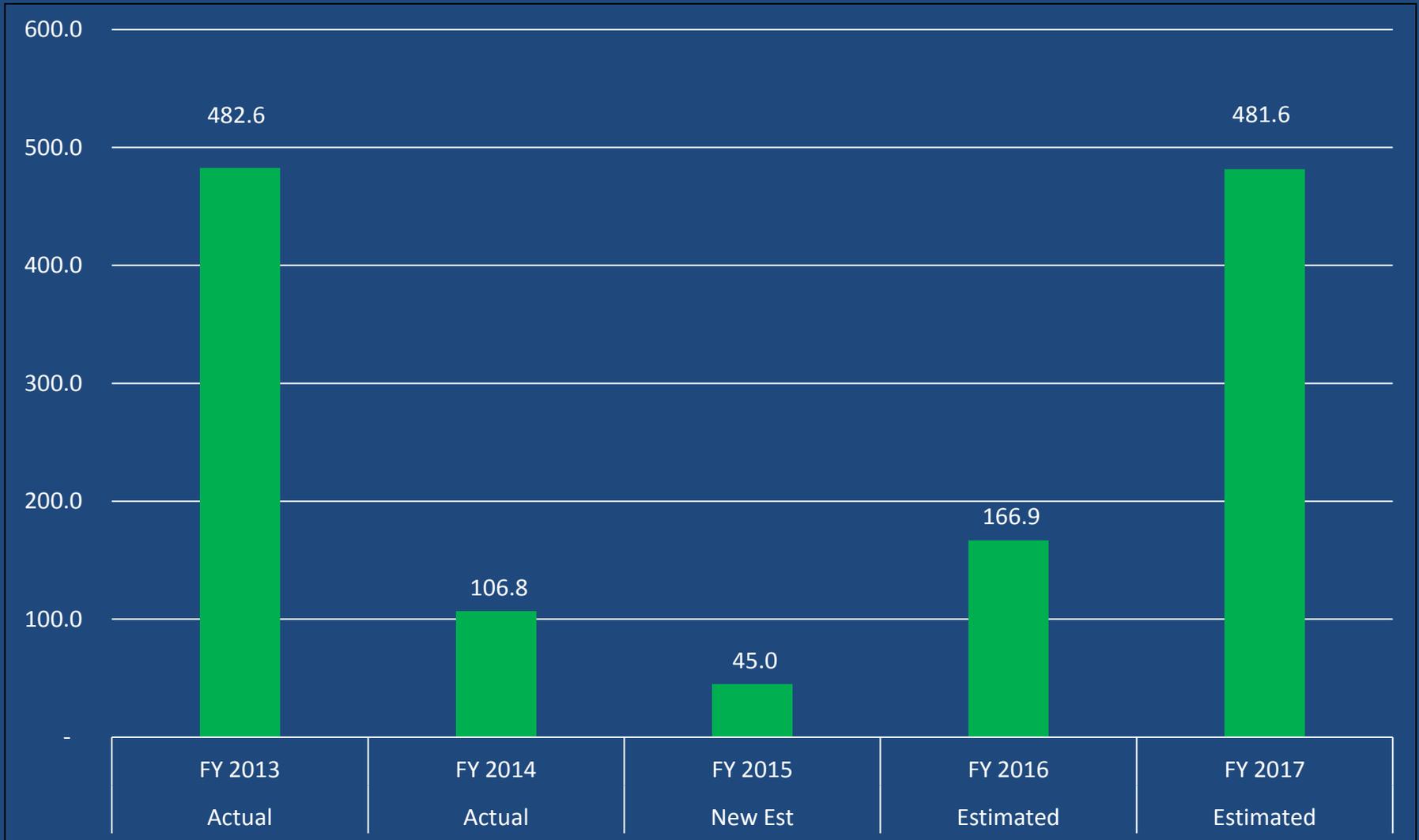
Pass an Honestly Balanced Budget: Total Revenues



Pass an Honestly Balanced Budget: Revenue and Spending

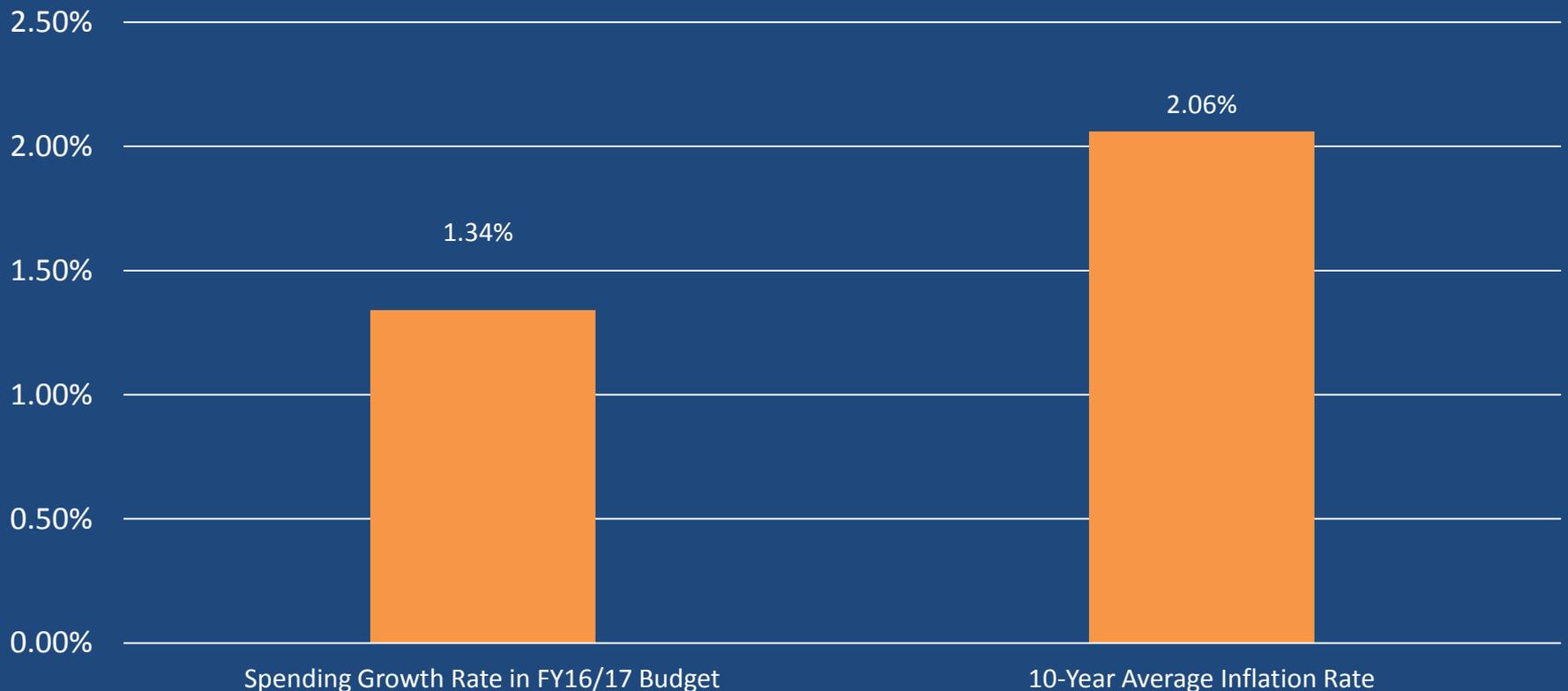


Pass an Honestly Balanced Budget: Annual Surplus



Hold the Line on Spending

- We need to be cautious with spending growth, and limit spending growth in the budget bill to no greater than the rate of inflation, which is 2.06%
- Governor's Recommended Budget holds spending growth well beneath the rate of inflation

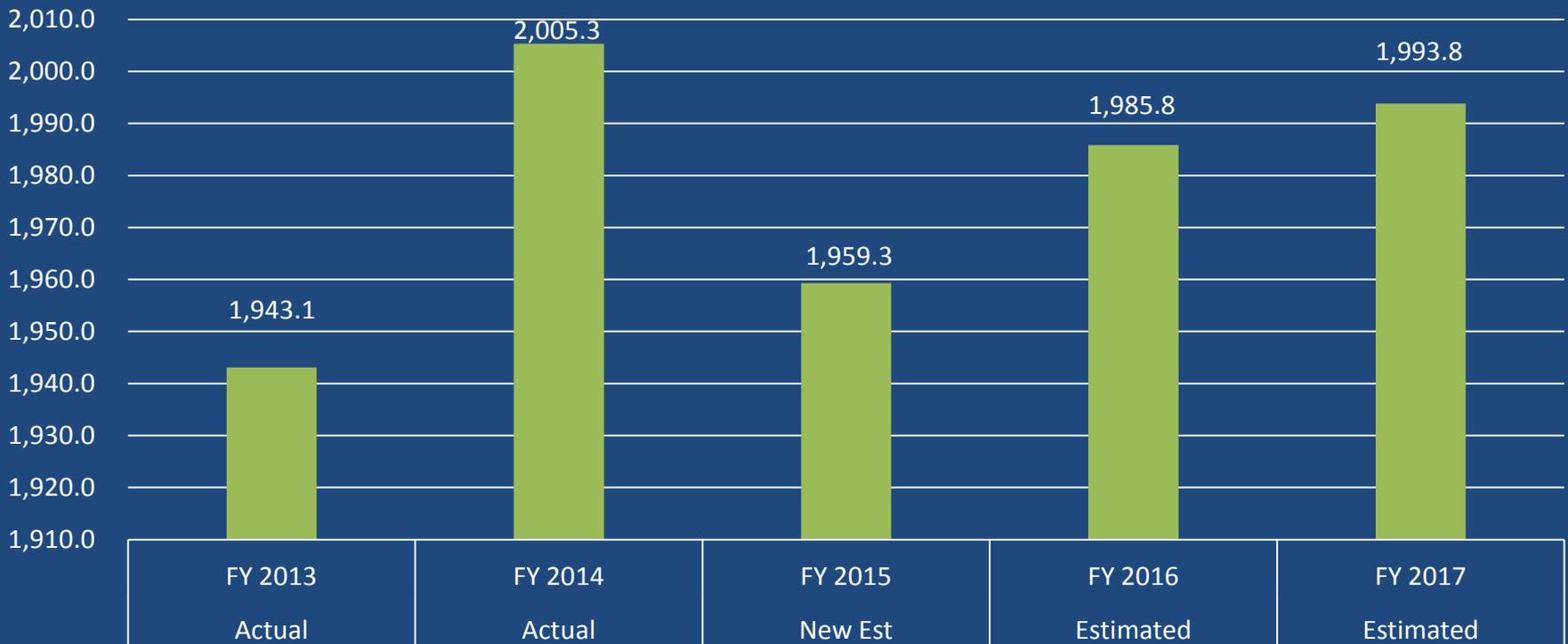


Hold the Line on Spending

- This approach has several advantages:
 - It recognizes that every dollar that state government spends originates from hard working Hoosiers, and holding the line on spending prioritizes their income growth over state government's growth
 - It recognizes that revenue growth has been up and down in recent years, and to ensure the state maintains a balanced budget, caution is warranted on the spending side
 - It requires state government to prioritize spending needs and only move forward with those programs that will generate the most value for taxpayers

Maintain Adequate Reserves

- We need to keep a healthy reserve balance of at least 12.5% of appropriations
- Governor's Recommended Budget contains projected reserves balances of \$1,959M in FY15 (12.8%), \$1,986M in FY16 (12.9%), and \$1,994M in FY17



Maintain Adequate Reserves

- Why should we maintain reserves at 12.5%?
 - The State has already made a policy choice that 12.5% is a reasonable reserve target – we have the means to maintain reserves at this target level
 - Reserves protect taxpayers and our most vulnerable citizens during a recession
 - Reserves are a critical factor in our AAA credit rating
 - Excess reserves can and should be spent on one-time purposes
 - Governor's budget recommends using excess reserves in FY17 to cash fund Major Moves 2020 projects as well as some university capital

Fund Our Priorities

- Governor Pence's funding priorities in the FY16/17 budget are:
 - Supporting Education
 - Serving those in Need
 - Pursuing Economic Development and Job Creation
 - Commemorating our Bicentennial Anniversary

Fund Our Priorities: Supporting Education (K-12)

- Tuition Support (\$200M increase over biennium)
 - \$133M (2.0%) increase in FY16
 - \$67M (1.0%) increase in FY17
- Expanding Educational Opportunities
 - New \$1,500 per pupil charter grant
 - Remove \$4,800 cap on K-8 choice scholarships
 - Increase SGO tax credit cap by \$5M
- Reform CTE formula and increase CTE capacity building funds by \$20M
- \$3M (10%) increase in Teacher Performance Grants
- \$10M in permanent funding for pre-K pilot
- \$65M increase to fully fund teacher pension obligation

Fund Our Priorities: Supporting Education (Higher Education)

- Student Scholarships
 - \$54M in FY16 (\$27M from general fund and \$27M from prior year Medicaid excess)
 - \$41M in FY17 (general fund)
- Operating and Line-Item Funds
 - \$13.3M (1.0%) increase in FY16
 - \$13.3M (1.0%) increase in FY17
- University Capital
 - Priority 1 projects at each university (\$258M)
 - Cash funded out of projected excess reserves in FY17

Fund Our Priorities: Serving Those in Need

- Medicaid Forecast is Fully Funded
- \$11M for Department of Child Services to fund State Adoption Subsidy
- Infant Mortality project at State Department of Health
 - \$2.5M (one-time) for mobile/web app for at-risk mothers
 - \$5.5M to enhance pre-natal care for at-risk mothers and infants
- \$1.1M for infectious disease preparedness at Health
- \$1M (28%) increase for domestic violence shelters
- Department of Corrections
 - \$43M for current operations
 - \$51M to cash fund new cell houses

Fund Our Priorities: Economic Development and Job Growth

- Major Moves 2020 – \$100M in FY16 and \$200M in FY17
- Regional Cities – Talent Attraction and Quality of Place
 - \$84M in FY16/17
- Tourism: \$2.6M increase
- IEDC Business Promotion: \$3M increase
- DWD: budget authority to avoid UI penalty rate in 2017
- Veterans Affairs: \$620,000 (103%) increase to implement recent operational assessment
- IU Medical School – Evansville: \$19.2M in cash funding in FY17
- Cell towers: p3 language to enhance value; use proceeds to fund Bicentennial capital projects

Fund Our Priorities: Bicentennial Celebration

- \$25M in cash funding (FY16) for new State Archives
- \$25M in cash funding (FY16) for Bicentennial Inn at Potato Creek State Park
- \$1.6M for Tourism in FY16 for the Torch Relay
- \$2M in cash funding (FY16) for the Bicentennial Plaza
- \$2.5M in cash funding (FY16) for an Education Center at the Indiana State Library

No New Debt

- Current budget incurred no new debt and cash funded all capital projects
- New budget should follow same policy
- Governor's budget has \$706M in cash-funded capital (including Major Moves 2020)
- In the past two years, the state has paid off \$283M in existing debt
- We should explore opportunities to reduce debt even further

Measuring Up: Surplus Statement

- Pass an honestly balanced budget ✓
 - FY 2016 structural surplus: \$167M
 - FY 2017 structural surplus: \$482M
- Hold the line on spending ✓
 - 2-year total spending growth (1.34%) less than inflation (2.06%)
- Maintain adequate reserves ✓
 - Reserves in excess of 12.5% of appropriations
- Fund our priorities ✓
 - \$200M increase for K-12 tuition support, expanded educational opportunities, and more support for higher education
 - Fully funded Medicaid forecast
 - \$300M+ in new dollars for transportation
 - Cash funding for Bicentennial celebration
- No new debt ✓
 - Excess reserves used to cash fund all new capital